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**CENTRAL INTELLIGENCE AGENCY**

**15 December 1948**

**CONSEQUENCES OF EXPEDITING US MILITARY AID TO CHINA**

**SUMMARY**

The Chinese Communists are winning the civil war, the outcome of which is no longer in doubt. Nationalist resistance, directed from a central headquarters, will probably cease within three months. This trend could not now be significantly altered even by expediting the delivery of US military aid to the Chinese National Government.

Expedited military aid could serve only to delay the extension of Communist control to any particular area of littoral China. The inefficiency of the Nationalist Army would in turn negate the effect of that aid. In any event, no considerable body of trained troops, willing to fight the Communists will continue to be available to use the aid.

To the extent that expedited military aid would prolong civil warfare, such aid would have a weakening rather than strengthening effect on Nationalist economy.

Intensive US effort to continue support of a discredited regime and prolong the civil war would increase antagonism toward the US in China, would make more difficult the US position vis-à-vis a successor Communist-controlled government, and would probably damage US prestige in other Asiatic countries in which there is still opportunity for successful anti-Communist effort.

**Note:** This estimate has not been coordinated with the intelligence organizations of the Departments of State, Army, Navy, and the Air Force. It is based on information available to CIA as of 14 December 1948.

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## CONSEQUENCES OF EXPEDITING US MILITARY AID TO CHINA

It is assumed that the China Aid Act was conceived as an instrument to impede the advance of Communism in China. It has not been, and offers no prospect of being, successful in achieving this objective. The trend would not be significantly altered at this stage even by expediting the delivery of US military aid.

### Current Situation.

The National Government under Chiang Kai-shek is discredited in the eyes of its own people; Chiang's armies have all but lost the civil war. The outcome of that conflict is no longer in doubt; in fact, all major campaigns, for more than a year, have ended in the defeat of Chiang's armies, and at present the only remaining enclave of significant Nationalist military resistance is in the Peiping-Tientsin area of North China. The Communists have, in addition to the preponderance of strength in this area, a large, well-trained and well-equipped reserve in adjacent Manchuria. The Communists are presently moving against the North China Nationalist forces, and the latter's chances for continued survival appear dim. The Nationalist forces in Central China are being rendered impotent, and only minor bodies of resistance, plus the Communists' own battle weariness, limit the speed with which the Communists can occupy the lower Yangtze valley.

Those areas of China still in the hands of the Nationalists are largely in a state of economic hysteria and paralysis, with most major cities deprived of an adequate supply of foodstuffs, with internal communications extensively disrupted by the Communists, and coastal trade limited by the lack of shipping facilities. The unit of currency has steadily lost value, and even the limited reserve of specie available to the Nationalists is being rapidly drained by public sale. Nationalist China, in fact, no longer possesses an economic framework within which US aid can be effective.

Nationalist military resistance, directed from a central headquarters, will probably cease within three months. During this period, the Government can either: (1) submit to the realities of the situation and attempt to secure the best terms possible in a coalition arrangement with the Communists, or (2) attempt, by moving to some other area of China, to continue its

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anti-Communist effort, relying almost exclusively on the US for sustenance. In the first case, a Communist-dominated coalition will result. In the second, that part of the National Government which escapes will not possess sufficient resources to offer significant resistance to the Communists for long. Such a government would at best be little more than regional in character, and, as such, would sooner or later be absorbed by the Communists along with any other regional regimes which emerge in peripheral areas of China.

### Military Effects.

In the light of the foregoing it is apparent that US military aid, as envisaged in the China Aid Act, can have only a limited effect on the course of the civil war, even if expedited in such a way as to reach, within the next three months, those Nationalist troops remaining in the field against the Communists. If this aid were funnelled into a particular area of littoral China (such as the Canton region), it could serve only to delay the extension of Communist control to that area. The program, to have even this limited effect, would have to be continued indefinitely and increased whenever the area was threatened by Communist military advance.

Under any timing of the program, the major requirements of the Nationalist military are small arms and ammunition; Air Force matériel does not yield sufficient return for the expense and difficulty involved. Even so, the demonstrated gross inefficiency of the Nationalist Army would in time negate even the effect of small arms and ammunition, especially if the Nationalist Army were expected to digest this matériel in a short space of time. In any event, no considerable body of trained troops, willing to fight the Communists, will continue to be available to use the aid.

The funnelling of US aid to Taiwan (Formosa) or South China, no matter on what schedule, would serve chiefly to maintain the legal fiction that there is in China a government still resisting the Communists. Such a government would in fact be incapable, even with that aid, of so doing over a significant period of time.

### Economic Effects.

To the extent that expedited military aid would prolong the civil hostilities without affecting the final outcome, such aid would have a weakening rather than strengthening effect on Nationalist economy. Continued warfare has been a principal cause of economic stagnation and uncertainty in Nationalist

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China. Recent superficial evidences of stability in Nationalist cities are a direct reflection of peace rumors; any indication that fighting will be continued for the indefinite future would certainly be followed by another inflationary spree. This in turn would produce increased popular disaffection if not outright sabotage of the Nationalist cause.

Political Effects.

The political effects of expediting US aid to the Nationalists might be positively harmful to US interests. The people of China will not be grateful to the US for prolonging the war, and can be expected to react in a hostile manner particularly if the US expedites the delivery of military aircraft, which, according to Nationalist practice, would be employed in the indiscriminate (and militarily useless) bombing of Communist-held cities. Intensive US effort to continue support of a discredited regime would increase antagonism toward the US among almost all Chinese groups which will survive the civil war in positions of authority. In addition, the US position vis-à-vis a successor (Communist-controlled) government would be made much more difficult. Most important, if the US becomes associated in Oriental eyes with Nationalist remnants which are unable to maintain genuine authority over any large area of China, the US will lose prestige in the other countries of Asia in which there is still opportunity for a successful anti-Communist effort.

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